



OPTION	EXPLANATION	REQUIREMENTS	SOURCES	ACTIVITY LEVEL	CURRENT TERMS					COMMENTS
					RATES	SIZING	POINTS	TERM (YRS)	AMORT	
CONSTRUCTION LOAN AGAINST TAKE-OUT	Finance project until a bankable loan or pre-sale is funded	Track record and completion guarantee.	Mostly banks.	Minimal	Mostly LIBOR + 275bps to 325bps. Floor 4%-5%.	Loan level tied to takeout.	1/2 to 1	Tied to completion	Interest only.	-Very few takeout alternatives available except for affordable housing and credit leases.
CONSTRUCTION WITH PERMANENT	Single source construction and permanent loan.	Track record, financial strength, equity and guarantee.	Mostly banks, a few insurance companies.	Limited	Construction rates slightly higher than above. Perm @ swaps + 275-375 or FHLB equivalent.	1.25 - 1.35 DCR on projected NOI.	1/2 to 1	Construction period + 5-10 years	Interest only during construction, 20-30yrs for permanent.	-Primarily for apartments or for fully pre-leased commercial. -Availability constrained over \$15M. -See also FHA program below for apartments.
OPEN-ENDED CONSTRUCTION LOAN	Finance project <i>without</i> take out or other repayment source in place.	Meaningful equity, significant guarantee, strong sponsor, and project with market support.	Mostly banks.	Minimal	LIBOR + 325-450bps. Floor 4%-5%.	Loan level tied to conservative take-out or sellout.	3/4 to 1	Tied to expected timing of take-out + 12 months	Interest only.	-Most available for REITS, pension funds. -Substantial pre-leasing required. -Minimum 30-40% cash equity. -Availability constrained over \$50M.
LAND & LAND DEVELOPMENT LOAN	Finance land acquisition, engineering, and infrastructure improvements	Top tier real estate, strong sponsor, and guarantee.	Mainly private lenders.	Minimal	10%+	Loan to value ratios under 50%.	2+	Matched to business plan.	Interest only.	-Rarely supportable in the current economic climate.
INTERIM LOAN	Shorter term fixed and floating rate loan on stabilized property.	Durable cash flow and good operator.	Mostly banks, some insurance companies.	Limited	Swaps + 275-375bps or FHLB equivalent. Floor 4.5%-6% depending on term.	1.25-1.35 DCR.	1/2 to 1	2-7	20 to 30 yr.	-Supply decreases at upper leverage levels. -For borrowers requiring prepayment flexibility not typically available on longer term loan.
INSURANCE COMPANY PERMANENT LOAN	Fixed rate medium to long term financing, immediate funding, on leased properties.	Creditworthy sponsor and a property of A quality.	Insurance companies.	Limited	Range from low 7's to mid 8's.	1.35-1.50 DCR or 1.0 on a 11%-12% constant.	0 to 1/4	7 to 30	15 to 30 yrs.	-These lenders are being extraordinarily selective in evaluating sponsors and property types. -Non recourse, no operating covenants.
BANK PERMANENT LOAN	Same as above	Credit worthy sponsor and property of A or B quality.	Banks.	Good	FHLB + 200-300 or swap based equivalent.	1.20-1.35 DCR.	0 to 1/2	7-10, rarely to 15	20-30 yrs.	-Recourse normally required, especially over 50% LTV. -Loan covenants often required. -Availability constrained over \$15M.
FANNIE MAE & FREDDIE MAC	Medium to long term financing for apartment properties.	Creditworthy borrower. Apartment property of C quality or better.	DUS for Fannie and Program Plus for Freddie Lenders.	Strong	Tiered pricing typically 300bps to 350bps over like term Treasury.	1.25 DCR.	0 to 1	5 to 20	Typically 30 yrs.	-Some interest-only available at low LTV. -More flexible underwriting and forward commitments available on affordable deals.
FHA	Construction and permanent financing for apartments, skilled nursing, and assisted living.	Feasible property economics. Borrower with clean credit and cash to close.	Only HUD mortgagees.	Strong	10yr swap + 150-175 for permanent, or + 275-300 for construction, exclusive of MIP.	1.17 DCR for permanent, 1.11 DCR for construction.	1 to 2	35yr for permanent, 40yr for construction	35-40 yrs.	-Non-recourse, no operating covenants. -Funding availability unaffected by credit because of government guaranty.
TAX- EXEMPT FINANCING	Tax exempt financing on a long term basis.	Project must be deemed to have public purpose.	State HFA's, bond funds and a few banks.	Minimal	Varies widely, can be either fixed or floating.	1.15-1.25 DCR.	1 to 2	10 to 40	25 to 40 yrs.	-Most activity is housing or health care related. -Can be structured with or w/o credit enhancement -Enhancement is difficult to obtain. -Interest rates are at historic highs relative to taxable rates.



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MEZZANINE LOAN	High interest rate subordinate loan designed to substitute for a portion of required equity.	A cash flowing property requiring outside investment up to 75% of capital stack.	Private investment pools.	Minimal	Rates in the teens.	1.10 DCR.	Varies	Matched to senior debt term.	Varies.	-The structure of this type of loan varies widely. -Focus now on higher quality properties and lower overall leverage.
PREFERRED EQUITY	Equity investment with preferred return and participation in cash flows and residual.	Strong, experienced sponsor with a property that is perceived to have good appreciation prospects.	Private investment pools and some insurance companies.	Minimal	9% to 12% preferred return plus share of cash flow and residual.	N/A	N/A	Investment horizon typically 3-7 years.	N/A	-Focus on institutional grade properties. -Target IRR in the upper teens and higher, or equivalent expressed as multiple of aggregate return over investment. -Capital stack can reach 90-95% of cost.
EQUITY JOINT VENTURE	Investor and sponsor co-invest pari passu.	Usually reserved for top sponsors and premier projects.	Private investment pools and some insurance companies.	Minimal	N/A	N/A	N/A	Investment horizon typically 5-10 years.	N/A	-Some sources fund debt as well. -Target IRR on equity is in the mid-teens range, depending upon level of leverage used.
CREDIT TENANT LEASE (CTL)	Fixed rate loan terms tied to credit lease.	Long term lease with investment grade tenant.	Privately placed bonds.	Limited	Mostly 6% - 8%.	1.01 DCR.	0-1	Tied to lease term; typically 15-25 years.	Matches term.	-Activity today is only at higher end of investment grade credits. -Non recourse, non carveouts.
SALE LEASEBACK AND BUILD TO SUIT	Financing technique that allows property user to control property for an extended term through a lease.	Lease of sufficient term providing appropriate return relative to the underlying credit of the lessee.	Private investment pools, insurance companies, and REITs.	Limited	Initial yields of 8%-12%.	N/A	N/A	N/A	N/A	-Pricing depends on lease term and credit strength of tenant. -Rents may be flat or have stepped increases.
OUTRIGHT SALE	A sale of property for cash to a third party investor.	Willing buyer and willing seller.	REITs, institutional and private investors.	Minimal	Value typically is a function of capitalizing net operating income (N.O.I.) at 7% to 10%+ depending upon the property's type and quality.	N/A	N/A	N/A	N/A	-There is an adequate supply of buyers, but the wide bid-ask spread is severely limiting the number of transactions. -The reduced supply of debt is negatively impacting this sector. -Investors' focus is on cash flowing properties. -Overall IRR targets in the 12% to 20% range.
SYNDICATION or T.I.C.	The sale to an investor group of rights to cash benefits, depreciation, or tax credits.	A property that has investment appeal based on reliable cash flow and/or tax benefits.	Syndicators and TIC sponsors who sell interests to individual investors and corporations.	Minimal	8%-10% preferred return plus share of cash flow and residual.	N/A	N/A	N/A	N/A	-Mixed past performance and undersupply of debt for properties have severely diminished transaction volume for TIC sponsors and syndicators. -Supply of tax credit investors is severely constrained by diminished corporate earnings outlook.

DEBT AVAILABILITY INDEX

Property Types	Construction Loan	Permanent First Mortgage - Less than 50%LTV	Permanent First Mortgage - Up to 60% LTV	Permanent First Mortgage - Up to 70% LTV	Permanent First Mortgage - Up to 80% LTV
Apartments	Limited	Strong	Strong	Strong	Good
Office	Minimal to limited depending on pre-leasing.	Good	Limited	Minimal	None
Industrial/R&D		Good	Limited	Minimal	None
Retail		Good	Limited	Minimal	None
Hotels	Almost none	Limited	Minimal	Almost none	None

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